

# PART III

## THE WAY FORWARD

# TOMORROW'S PUBLIC— PRIVATE ALLIANCES

The national security strategy of the United States rests on the triad of defense, diplomacy, and development—the “three Ds.” President Bush and Secretary of State Rice have made it abundantly clear that all three legs of that strategy are essential. As evidence of development’s place in the administration’s thinking, one has only to note that USAID’s budget has nearly doubled since 2001—the largest increase in percentage terms since the Truman Administration. But effective promotion of development depends on far more than appropriations of public funds, important as these are. The fact is that today’s toughest development challenges will be met not by a single set of actors—not by governments, international organizations, corporations, foundations, faith-based groups, or civil society acting in isolation. They will be met—they are being met—by cross-sectoral alliances of several or many actors, each lending its own capacity to the coordinated and sequenced pursuit of shared goals.

Globalization has highlighted the power of private sector-led growth, as well as the enduring realities of poverty, disease, and poor governance. Where governance is poor and institutions weak, economic life is stifled or driven underground. Most foreign investors stay away, and what investment there is has little benefit for poor people.

## **CONCERTED INTERVENTIONS, JUST IN TIME**

Multinational corporations have a unique perspective on how differences in the quality of institutions from one country to another can affect investment decisions. It is no surprise, therefore, that they have led the way in forming public–private alliances, which they view as the best means of achieving just-in-time improvements to the investment climate. Such companies were the first to turn to other actors—to governments and international institutions, bilateral and multilateral aid agencies, civil society and NGOs—to complement their limited capacity to meet the governance challenges that affect their ability to operate.

The partnerships thus formed have become an established approach for delivering development assistance, as both established and new actors now recognize that neither governments, nor international organizations, nor companies, nor NGOs can succeed alone. They know that lasting change, change that leads to sustainable, equitable, and environmentally sound growth, depends on mobilizing complementary roles and skills.

In 2001, the U.S. Agency for International Development (USAID) embraced this new paradigm by creating the Global Development Alliance (GDA). The GDA approach hinges on the idea that business has a critical contribution to make to sustainable development but cannot do so on its own. It galvanizes that contribution by combining companies' resources, skills, and presence in particular countries with USAID's global platforms, capabilities, and experience—and, as necessary, with the talents of other organizations.

## **THE CAPACITY TO FORM AND MANAGE ALLIANCES**

Because successful development requires private actors, companies, foundations, philanthropists, and faith-based groups with partnership capacity, USAID has supported organizations, such as the International Business Leaders Forum, the U.S. Chamber of Commerce's Center for Corporate Citizenship, the Synergos Institute, and Partners for Christian Development, that are dedicated to raising the capacity of companies, foundations, volunteers, and faith-based groups to work in partnerships similar to those profiled in this report.

USAID has had to raise its own partnership capacity as well. The agency has had to learn to play various roles in alliances, depending on circumstances and needs. In some cases, USAID has been a convener of a small set of partners. In others, it has been a builder of new institutional arrangements.

USAID does not have a monopoly on good partnership ideas, but it is well positioned to partner with others to achieve their social, environmental, and economic goals in developing countries. With more than 40 years of experience managing a wide range of projects in developing countries, the agency has a unique understanding of social, economic, and political challenges and long-term working relationships with governments, the private sector, and civil society organizations in developing countries.

The GDA business model has passed some significant milestones. Approximately 290 alliances have been formed in less than four years, leveraging more than three dollars in partner funds and in-kind contributions for every dollar contributed by the U.S. taxpayer. As a result of the record of concrete results that the GDA has built, alliances will continue to gain salience as a new business model for delivering development assistance.

To extend alliance work into new sectors and to deepen alliance activity in sectors where they have already made a mark, the agency will, in the years to come, continue to adjust its policies, programs, and procedures to promote alliance formation. In making those adjustments, several internal and external issues will need to be addressed.

## **INSIDE USAID: MANAGING RELATIONSHIPS AND MAINSTREAMING THE ALLIANCE MODEL**

Changing the mindset and behavior of any large organization, especially a decentralized organization spread over the globe, is a major undertaking. While much progress has been made, the agency will seek to further embed alliance building in strategy development and human resource management. USAID's traditional approach to strategy development has been to gather input from a wide variety of sources, while developing a strategy that reflects the U.S. government's priorities and fits within USAID's budget. This often leaves

little latitude for new direction, new resources, and others' ideas. What needs to be done?

- Collaborative models of planning need to be developed to support the alliance business model.
- Simultaneously, there needs to be a major operational shift from managing money and instruments to managing relationships.

The people who drive the alliance-building process are critical. USAID will need to focus on valuing, recruiting, and retaining people with an entrepreneurial spirit to match their technical development skills. USAID will need to provide incentives to develop new management structures and reward people for managing partners' money as well as they manage that of their own program.

To assist with the change process at the tactical level, in the field, the agency is extending the use of regional alliance builders, whose job it is to mainstream the theory and practice of alliance building in USAID field missions and to provide partners with a point of contact when building alliances across regions and sectors. Regional alliance builders will draw upon the resources of USAID and the resources of private actors to build country and regional alliances. By the end of fiscal year 2006, USAID will have deployed six regional alliance builders. Several field missions with substantial and intense alliance activities have hired their own alliance builder to foster and manage partner relationships.

### **OUTSIDE USAID: NEW PARTNERS, NEW FRONTIERS**

USAID spends around \$15 billion dollars a year on foreign assistance—the bulk of it still outside partnership arrangements. Similarly, most of our alliance partners (foundations, firms, NGOs) spend most of their resources outside alliances. Therefore, significant “market share” of development dollars remains to be “captured” by alliances that command the sort of synergy evident in the 22 cases profiled

in this report. With the right leadership and management processes, more alliances should mean more innovation and growing skill, within USAID and among partners, in making alliances work for development.

Several trends may prove particularly important in alliance formation in the coming years.

### **DIASPORAS**

The development community has only just begun to sense the development potential of diasporas, both for their specialized knowledge and as a source of finance. Diasporas are often rich in skills needed in their countries of origin, and the money they remit to relatives at home already exceeds the official aid provided by governments in the developed world. USAID, and the development community at large, are considering ways to facilitate the transfer of both skills and funds, and to multiply the development effect of those transfers. Tasks include making it easier for people to send money home, possibly by encouraging them to participate in the local banking system or by devising collective (and more cost effective, or lower transaction costs) remittance instruments that could serve, for example, as a source of capital for housing and business loans or for insurance.

Future alliances will exploit other ways for diaspora groups to use their skills and capital to help their homelands. Diasporas can serve as a force for democratization, as symbolized by the return of expatriates to assume leadership positions in Georgia, Latvia, and elsewhere. In 2005, GDA helped USAID's Pakistan mission to bring together a group of influential members of that country's diaspora community to consider how they could advance development in their country of origin. At first skeptical about what could be done, the participants soon achieved a convergence of energy and ideas. When the earthquake hit Pakistan in October 2005, USAID was able to reach out to the Pakistani diaspora in important ways. Similar groundwork has been laid with the Vietnamese diaspora on several occasions as

well. Other field missions hope to replicate the model.

### THE NEW PHILANTHROPISTS

Since the 1980s, the open economies of the developed world—characterized by rapid technological change, accelerated flows of financial and human capital, and market expansion through trade and globalization—have created unparalleled opportunities for the accumulation of private wealth. The new philanthropists who seized those opportunities take a hands-on approach to charitable endeavors, often international in scope. Some have built the infrastructure of large, traditional foundations.

New philanthropists interested in international causes quickly encounter two major obstacles: (1) the difficulty of finding a reputable implementing partner in developing countries and (2) the expense of overseeing large-scale grant-making in large amounts of overseas. To overcome them, the new private philanthropists often seek to share infrastructure through donor advisory services that offer foundation-like services to hands-on philanthropists. Those services include professional program officers, monitoring and evaluation of grants, fund administration, and collection of donations. Directly or through their advisors, the new philanthropists also seek to leverage their dollars by partnering with other actors whose capacities complement theirs. In some cases, USAID works with such donors directly; in other cases, it works with their advisors.

### DEMOCRACY AND GOVERNANCE

In their traditional philanthropy as in their newer, “strategic” giving, companies often gravitate toward sectors such as education, health, and economic development. In such areas, it is easy to measure and observe results: students taking computer courses, water being purified, cashews being harvested.

Laying the groundwork for political and economic freedom, by contrast, offers no such easy benchmarks or visible results to the

donor or alliance member. Yet development is impossible without good (or at least improving) governance and the rule of law, partly because economic activity depends on them. Because good governance is an indispensable condition for doing business in the twenty-first century, its attainment will be a growing source of competitive advantage among developing countries. And many countries have made progress. That is the good news. The bad news is that just as many countries, including failed states that fall into anarchy and become breeding grounds for terrorists, have slipped backwards. Many others have a long way to go before they can hope to attract foreign investment or foster the growth of a competitive, innovative private sector of their own.

Because of the importance for development of good governance and the private sector, aid donors are keen to create new opportunities to leverage private resources to address governance and democracy-building. Developing successful models will be a particularly tough challenge, but one we cannot shirk.

The private sector has much to gain from secure property rights, predictable and transparent regulation, and the rule of law, all of which create market opportunities and permit firms to invest with confidence. The companies with the most to gain, and thus those that are the most logical partners in alliances to improve the business climate, are those that have long-term business interests in developing countries. Such firms have shown interest in USAID’s experience in democracy and governance work—the rule of law, labor standards, capacity building for governance, and other issues—and a willingness to invest in these activities, which, although lying outside the usual boundaries of corporate social responsibility and involving sensitive topics, complement their interests.

### GOVERNING GROWING ALLIANCES

Alliances are built on institutional and personal relationships that require a strong dose of trust among partners. As the alliance con-

cept spreads, and alliances grow in depth and number, building and managing those relationships becomes simultaneously more difficult and more essential, particularly when some of the partners are networks. (Several of USAID's alliances include networks of organizations that have coalesced around a particular issue, such as cocoa in West Africa or youth employment in the Americas.)

Some GDA alliances are more than five years old, others soon will reach that mark. As time goes on, it becomes apparent that adjustments to approaches, planning, and funding will occur. The institutionalization of alliance structures (governance, levels of support) and the decision to expand or disband a partnership are just a few of the important challenges that the agency will soon face. There are bound to be situations where some alliance partners will want to keep an activity going, even when the original goals have been met or some of the partners' interests have shifted.

Successful governance of evolving partnerships is essential for the simple reason that public-private alliances are not a development fad or a temporary solution to development problems. The United Nations and other international organizations know that they cannot solve development problems themselves. Businesses alone cannot create the optimal climate for their operations. Philanthropists want to take their pilots to scale. Bilateral donors outside the United States are reaching the same conclusion—and responding with models similar to the GDA.

Because public-private alliances are not going away, our challenge is to make them work as well as they possibly can. Leading academics are conducting valuable research on the building, managing, and governing of broad partnerships. Application of that research to maturing alliances is a sort of real-life laboratory process with immense implications for the growth of the alliance-centered, collaborative development model—and for the societies in which that model is applied.

## **THE CHALLENGES OF THE SECOND GENERATION OF ALLIANCES**

In remarks before Congress in 2000, Colin Powell, then secretary of state, introduced GDA as “a fundamental reorientation in how USAID sees itself in the context of international development assistance, in how it relates to its traditional partners and in how it seeks out and develops alliances with new partners.”

One of Secretary Powell's illustrious predecessors, General George C. Marshall, set the stage for GDA's alliance-based approach to development. The Marshall Plan worked as it did because it built partnerships within and between countries, economic sectors, public and corporate entities, and communities. The importance of individuals and institutions was balanced, establishing a personal sense of responsibility and initiative that permeated the Plan's many projects and initiatives. No single country or organization could have accomplished any of the goals of the Marshall Plan. Together, they accomplished them all—through collaborative problem solving, an entrepreneurial attitude, and the willingness of all partners to adapt to new circumstances and newly gained experience.

GDA has adapted the alliance process to our era. But much remains to be done to realize the promise of public-private alliances. Chief among USAID's challenges, as it embarks on the second generation of alliance building, are the following:

- Recruiting professionals with the ability to build and manage partnerships, and developing the alliance-building skills of the agency's staff and partners
- Ensuring that the agency has the resources, human and financial, to be a reliable alliance partner
- Taking the lessons learned from the first generation of alliances and bringing them to bear on the next

- Demonstrating, in facts and figures, the salutary outcomes of first-generation alliances
- Laying out priorities (geographic, sectoral, compositional) for the formation of new alliances
- Discovering new ways to realize the development potential of diaspora groups, new philanthropists, and other emerging classes of alliance partners
- Working with academia to meld theory and practice in the governance of complex alliances
- Harnessing the energy of public–private alliances to the essential goal of fostering political and economic freedom in countries where these are lacking.

Public–private alliances are not a panacea, and they may not be appropriate in all circumstances. However, the cases presented in this report provide ample evidence that alliances, in their many possible forms, offer creative solutions, bring more resources, and deepen commitment to resolving seemingly intractable development challenges.

The portfolio of alliances already formed offers much learning that needs to be mined and shared. Most reports call for “more research,” and one of the tasks resulting from this report will be to continue to mine and share the learning of our existing portfolio of alliances. The report you have just read is part of our commitment to sharing what we have learned. GDA will be leading the charge to deepen USAID’s institutional understanding of alliances as development tools and making the results available to the broader development community.



## ACKNOWLEDGMENTS

In the space of five years the Office of Global Development Alliances (GDA) at the U.S. Agency for International Development has grown from an idea to a thriving enterprise that is pushing back the frontiers of development practice. Behind that growth lie uncounted numbers of individuals and groups. Likewise, this report on GDA's origins and present activities is the work of many, many people—among them the hundreds of development professionals at USAID who have adopted GDA as part of their approach to development.

Within USAID, special thanks go to Barbara Addy, Roopa Karia, Todd Lofgren, Curt Reintsma, Jim Thompson, and Holly Wise for their institutional memory and gracious willingness to help tell GDA's story.

Several friends of GDA reviewed drafts and provided invaluable advice. Chief among them are Larry Cooley, Bennett Freeman, Adrian Hodges, and Shona Sabnis. We thank you.

Representatives of the many fine groups that make up the alliances profiled in this report provided up-to-date details and data on their activities in the field, as well as reviewing drafts of the report. The fact that they are too numerous to mention is one measure of GDA's success in alliance building. Some representatives sat for long interviews that have taught us much about the process of alliance formation. You know who you are.

Our team of writers and editors was made up of Daniel Harter, Steven Kennedy, Dan Killian, and Stephen Spector, with help from Julie Brooks Noble and Katie Raymond, under the kind but firm direction of Mary Liakos.

Finally, on a personal note, I would like to thank Andrew S. Natsios for the confidence he placed in the alliance concept from the moment President Bush named him as the agency's administrator in 2001. That confidence, and the unflagging support for GDA that accompanied it, have made the world a better place. On behalf of all my GDA colleagues, past and present, I extend my gratitude for your leadership.

—Daniel F. Runde